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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 8, 2011

PARTIES OF RECORD

Re: Case No. 2011-00184
Johnson County Gas Company, Inc. and Bud Rife, Individually, and as Sole
Officer of the Utility – Alleged Failure to Comply with Commission Orders

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Allyson Honaker, Staff Attorney, at 502/564-3940, Extension 265.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

AH/kar

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File – Case No. 2011-00184
Johnson County Gas Company, Inc. and Bud Rife, Individually, and as
Sole Officer of the Utility – Alleged Failure to Comply with Commission
Orders

FROM: Allyson Honaker, Team Leader

DATE: September 8, 2011

SUBJECT: August 31, 2011 Informal Conference

At the request of Johnson County Gas (“Johnson County”) an Informal Conference (“IC”) was held in this case at the Commission’s offices on August 31, 2011. A list of those participating is shown in Attachment A to this memorandum. The IC had been requested by Johnson County for the purpose of discussing the issues in this proceeding and for exploring settlement possibilities.

The IC attendees discussed the June 27, 2011 bankruptcy filing of Johnson County, and whether the bankruptcy proceedings would require a stay of this case, or would possibly prohibit the Commission from imposing fines against the utility. Counsel for Johnson County agreed to research the matter and provide the Commission with a written response as to Johnson County’s position on a possible stay.

Commission Staff (“Staff”) questioned Mr. Rife concerning Johnson County’s current gas supply situation. Mr. Rife stated that all of Johnson County’s gas suppliers are creditors in its bankruptcy proceeding, but that there would be no problem obtaining adequate system supply gas for the upcoming heating season. According to Mr. Rife, supplier Bradco Oil Company has indicated its willingness to provide increased gas volumes to Johnson County if needed, but because of Bradco’s relatively high \$8.50 per Mcf price, Mr. Rife would prefer to buy no additional gas from Bradco. Johnson County still has a contract with Equitable Energy pursuant to which it buys gas, but only during the heating season because of the contract’s relatively high delivery charges in relation to the Columbia Gas Transmission Company (“TCO”) pool price. Johnson County has been taking gas from the TCO pool since Constellation Energy denied Johnson County further service in early 2009. Because the NiSource/TCO meter through which Johnson County receives gas was damaged several years ago, NiSource/TCO may not be able to measure the gas taken by Johnson County, although Mr. Rife says he has continued to nominate gas through the NiSource Navigator system.

Johnson County has not had a transportation contract with NiSource for some time, after NiSource had rejected a credit application from the utility. This issue was never resolved, which Mr. Rife attributes to the failure of the utility’s previous bankruptcy

attorney in following through on discussions of Johnson County's situation with NiSource so that transportation arrangements could be made. Johnson County had filed twice previously for bankruptcy, with both proceedings dismissed and the second dismissal ending with Johnson County's bankruptcy attorney being disbarred. Mr. Rife stated that shortly after filing bankruptcy a third time on June 27, 2011, Johnson County again filed an application with NiSource for transportation and gas supply at market prices from the TCO pool.

Mr. Rife stated that besides Bradco, Equitable Energy, and hopefully NiSource, Johnson County also has the ability to access gas supply from Jefferson Transmission, and reiterated that the utility will have no problem meeting its gas supply obligations during the upcoming heating season.

The attendees discussed Johnson County's next Gas Cost Adjustment ("GCA") filing, due September 2nd for rates effective October 1, 2011. Remaining outstanding data requests in this proceeding were also discussed and Mr. Rife stated that the utility would include in its GCA filing all the information not previously supplied in response to Staff's requests in this proceeding. Staff agreed and offered to help the preparer of Johnson County's GCA applications if any problems were encountered in preparing the application.

The conference was then adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOHNSON COUNTY GAS COMPANY, INC.)
AND BUD RIFE, INDIVIDUALLY AND AS SOLE) CASE NO.
OFFICER OF THE UTILITY ALLEGED FAILURE) 2011-00184
TO COMPLY WITH COMMISSION ORDERS)

August 31, 2011

Please sign in:

NAME	REPRESENTING
<i>Allyson Tomaker</i>	<i>PSC Staff</i>
<i>Leah Faulkner</i>	<i>PSC - FA</i>
<i>Daryl Newby</i>	<i>PSC - FA</i>
<i>Jeff Shaw</i>	<i>PSC - FA</i>
<i>Holly Wallace</i>	<i>Johnson County</i>
<i>Bud Rife</i>	<i>Johnson Co.</i>